2011

ANNUAL REPORT

"We stayed with our strategy and it helped compensate for the winter challenge with a strong summer season."

Ray Schwertner

2011
was a remarkable year

2011 began with notable challenges triggered by statewide power emergencies and concluded with a strong financial finish due to sales of electricity during the record summer heat combined with revenue generated outside our traditional income streams. The year also saw Garland Power & Light successfully transition to the new ERCOT nodal market.

The winter shortfall was triggered as ice storms descended into Texas, causing the generating unit at the Gibbons Creek Power Plant to become one of dozens forced offline statewide due to the effects of the weather.

On the positive side, GP&L's electric delivery system remained reliable throughout the winter. As customers of other utilities experienced lengthy power interruptions due to downed lines and other system problems, we were able to provide an outstanding level of service due to our commitment to year-round line maintenance, our successful tree-trimming program, and because local GP&L linemen could repair problems promptly.

The summer peak season brought new challenges as ERCOT took steps to shore up power supply statewide, including calling upon GP&L to start two mothballed generating units at the Spencer Power Plant. Thanks to a monumental effort by our employees, we were able to fulfill the request within two weeks, the only utility able to meet the time expectations set with ERCOT.

In addition to the remarkable start-up at Spencer, our strategy of maintaining the units at Olinger proved beneficial as we sold the power generated at the plant on the wholesale market every day in the summer, a significant situation that allowed us to conclude the year financially strong.

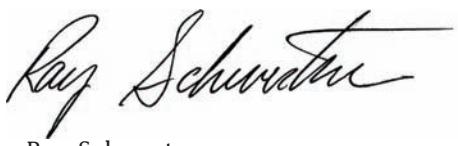
While we addressed the challenges and opportunities brought by extreme weather, GP&L also transitioned smoothly from the zonal to the nodal market in ERCOT. Although invisible to our customers, this market change is already proving to be an efficient way to dispatch power, typically with lower prices.

In 2011, GP&L continued to pursue projects outside our service area. Our successful approval in 2010 to own and operate transmission lines in the Competitive Renewable Energy Zone (CREZ) indicated to others that we were serious about taking on new revenue producing ventures. It led to this year's agreement with Pattern Energy to participate in the Southern Cross Transmission Project which will connect ERCOT to the eastern power grids of the United States.

These projects are designed to provide revenue for GP&L, and along with controlled and reduced costs in both the capital and operating budgets, will support stable rates for our customers and provide economic development funds for the City of Garland.

As GP&L's reputation in the industry grew, employees continued to actively represent the utility's interests through participation on the ERCOT and NERC committees, subcommittees, working groups and task forces that set market rules and operating requirements. As part of our commitment to help ensure adequate power supply in the state, we created a white paper proposing a program to develop new capacity resources. We consider this leadership necessary to avoid future statewide energy shortfalls, which are anticipated as early as 2013 if no additions are made to generation capacity.

The year 2011 tested GP&L, and we showed that the more we were tested, the better we did. I am proud of the teamwork and tireless effort of our people. They did everything we asked, and supported our primary goals of reliable service and stable, competitive prices for our customers.



Ray Schwertner
Electric Utility Director

A positive finish
to a challenging year

Garland Power & Light, along with other Texas utilities, experienced record demands on the power system in 2011, triggered by extreme weather both summer and winter.

The extraordinary year began during unusually frigid weather in February, when record low temperatures and ice affected operations at dozens of power plants across ERCOT. A total of 152 units out of 550 on the grid experienced outages from February 1-4, including the Gibbons Creek Power Plant. Statewide, ERCOT reported that 7,000 megawatts of generating capacity were forced off line on one night alone, the loss of enough capacity to power about 1.4 million homes.

The shortage of electricity throughout Texas, exacerbated by the bitter weather, prompted ERCOT to instruct utilities to initiate rotating outages. The outages were controlled, temporary interruptions of power typically lasting 15 to 45 minutes.

GP&L took a proactive stance communicating the power emergency to its customers by placing informative CodeRED auto-calls to registered Garland citizens, calling large commercial customers, publishing updates on the website, providing information to Call Center representatives, issuing news releases, and carrying out other forms of communication to convey the extraordinary situation.

As the winter emergency unfolded, ERCOT broke the winter peak demand record on February 3rd, with 57,282 megawatts. That compared with the day before at 56,334 megawatts and the winter peak in 2010 of 55,878 megawatts.

Extreme weather reappeared in the summer, when the scorching heat strained the Texas electric system through several days of temperatures over 100°. The ERCOT peak demand record was broken on three consecutive days, August 1st, 2nd and 3rd. The August 3rd peak demand of 68,379 megawatts underscored the growing demand on the grid, and was four percent higher than the previous year's peak of 65,776 megawatts. August 3rd also set a GP&L demand record with 544 megawatts, compared to the previous high of 497 megawatts in 2006.

Once again, power plant operations across the state were affected by extreme weather. But this time, the outcome for GP&L was very different from that experienced during winter.

As power supplies ran short due to the excessive heat, ERCOT tapped GP&L to fire up mothballed units at the Spencer Power Plant, prompting GP&L to mobilize crews to work around the clock to get Units 4 and 5 operating. Bringing these older units back on line was a complex undertaking, primarily because of the manual effort required. Employees faced additional challenges, such

as acquiring and installing new circuit breakers on short notice. Additionally, protective relays and control systems were reconditioned to ensure that the power flowing through the switchyard would sync with the grid.

GP&L achieved the impressive feat of getting the Spencer units on line quickly by utilizing its established plan outlining the actions needed to rapidly take the units out of the mothballed state. Employees began executing the plan within one hour of ERCOT's call to bring the plant on line, a demonstration of the operational sophistication for which GP&L is gaining recognition.

The Spencer Plant was generating power within two weeks of ERCOT's request, several days earlier than the promised date and before any other recalled units, much to the appreciation of ERCOT CEO Trip Doggett and others in the industry. With a combined capacity of 122 megawatts, the Spencer units produced enough electricity to power nearly 25,000 homes.

In addition to the considerable effort at the Spencer Plant location, GP&L's Energy Management System performed remarkably, monitoring and controlling breaker and megawatt status, and ensuring voltage stability as power was synchronized to the grid.

ERCOT reimbursed GP&L for the cost of bringing the Spencer units on line and also covered costs such as staff, maintenance and fuel. Although GP&L did not earn revenues from the power generated at Spencer, the utility was able to secure additional income during the summer by selling power generated at the Olinger Plant into the wholesale market. The sale of this power allowed the utility to overcome the unplanned fuel and purchased power expenses incurred in winter.

When 2011 is examined as a whole, GP&L concluded the year in a financially positive position. Although the winter event was challenging, GP&L effectively executed the rotating outages with as little customer disruption as possible. In praise, ERCOT noted, "Garland Transmission Operators' performance was outstanding" during the winter weather event. GP&L both supported its obligation to the grid and minimized the cost impact of the outages through real-time and day-ahead bidding and optimization strategies to procure power.

GP&L was tested in 2011 as never before. Lessons learned resulted in the improvement and automation of the load-shed plan and process; the continuation of the equipment replacement program for breakers and switches that can withstand extreme temperatures; and the evaluation of power plant weatherproofing procedures and cold-weather maintenance.

As a member of the Texas Municipal Power Agency (TMPA), GP&L led the effort to review the February outage at the Gibbons Creek Plant, including setting operational policy for inclement weather. In addition, the utility initiated a study to identify the requirements necessary to run the plant competitively in the future.

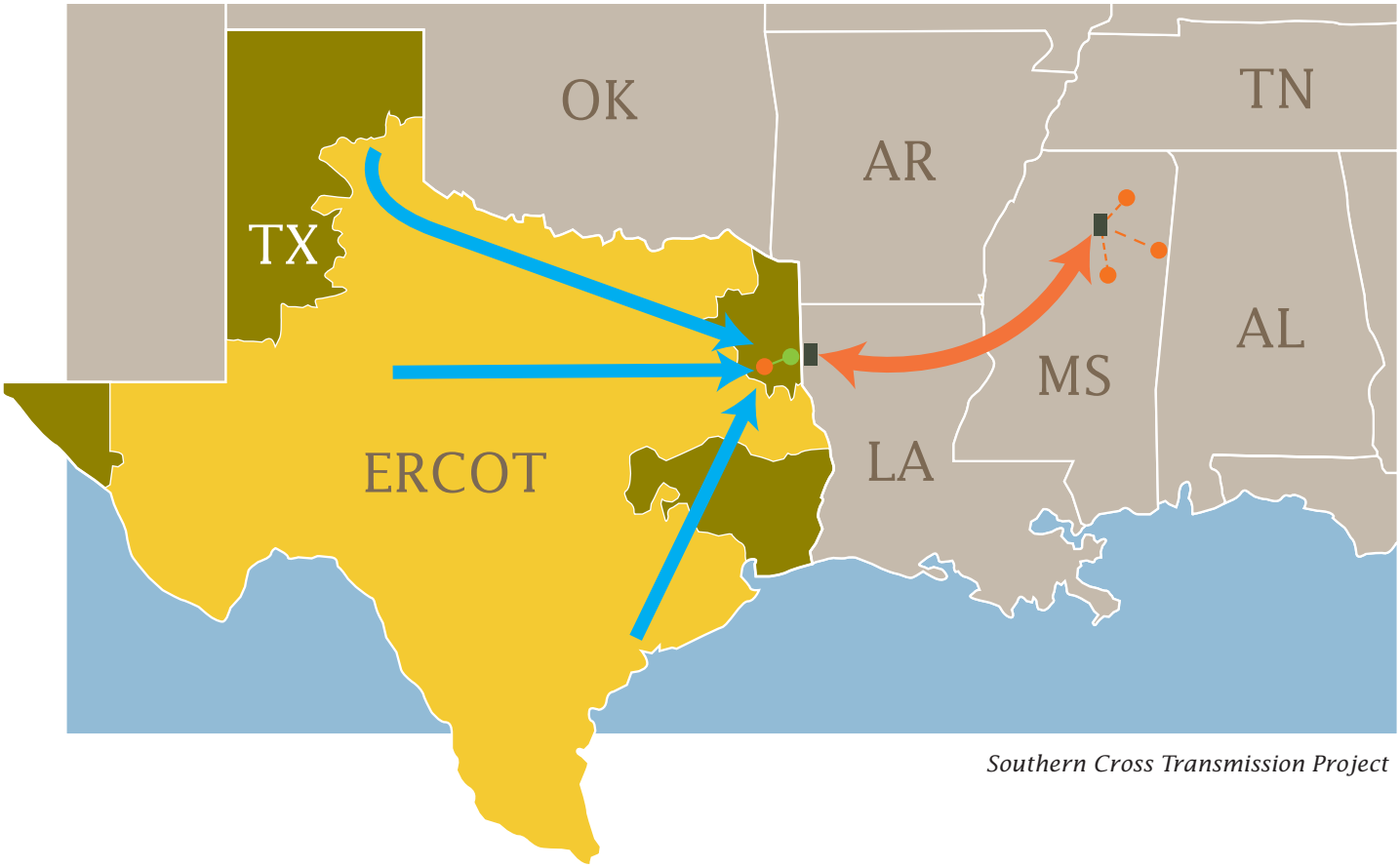
Throughout 2011, GP&L continued to fulfill its goal of achieving the lowest overall energy costs for its customers by optimizing the economic use of generation assets, utilizing power purchase contracts, and seizing opportunities to buy and sell on the market. These efforts were supported by the execution of power contracts and a hedging strategy, both of which minimized fuel expenses.

New ventures
presented exceptional opportunities

The historic conversion in Texas from a zonal to a nodal market system was a considerable undertaking for ERCOT participants, including GP&L. The three-year lead-up to the market change culminated in a smooth transition for GP&L, thanks in no small part to the utility's meticulous preparation. The utility's success was preceded by software modifications, employee training, extensive system trials, and a focus on a new day-ahead (financial) market in addition to the real-time (physical) market.

The nodal market structure quickly proved to be an efficient way to dispatch generation in the ERCOT service area. As a generator, seller and purchaser of power, GP&L is fully involved in the new market. The nodal system's provision of both day-ahead and real-time markets allowed GP&L to purchase the precise amounts of power needed to serve load at more reasonable prices than the previous zonal system. In addition, nodal opened up new revenue potential for GP&L by clarifying the opportunities when the utility could profitably generate power for sale on the market.

In 2011, GP&L began efforts to develop its portion of the Competitive Renewable Energy Zone (CREZ), the extensive transmission project that will bring wind power from West Texas to the state's major population centers. The utility's involvement in CREZ, which is in



Southern Cross Transmission Project

conjunction with the South Texas Electric Cooperative (STEC), will financially benefit GP&L's customers by offsetting the fees the Public Utility Commission of Texas will impose on utilities to cover the cost of the project. This year, GP&L worked with STEC to evaluate alternate routes for the 88 miles of high voltage transmission lines that GP&L will ultimately own, and filed certificates of convenience and necessity.

The utility's investment in CREZ raised GP&L's industry prominence, leading to an invitation to participate in another major transmission venture. The Southern Cross Transmission Project will connect ERCOT to the eastern power grid of the United States, allowing for more electricity to be imported into the state if there is a power shortfall or if more favorable prices exist elsewhere. The interconnection will also move renewable wind energy from Texas to the East. GP&L's section consists of a 30-mile-long 345kV transmission line and substation located on the Texas/Louisiana border. The utility's participation will benefit customers as the revenue created by owning and operating the facilities will offset increased costs for fuel, operations, capital investment and debt service that are anticipated in coming years. Construction is scheduled to begin in 2014, with lines energized in 2016.

GP&L's vision for pursuing unconventional sources of revenue led to the utility marketing carbon credits created by the burning of methane gas at the City's C. M. Hinton Jr. Regional Landfill. Although GP&L originally installed the methane piping and generation system to produce power when natural gas prices were high, as the the price of gas fell, GP&L strategically refocused to market the carbon credits as another source of revenue.

Forecasts predict that generation capacity in ERCOT will struggle to meet the increasing consumer demand for power. As another example of GP&L's expanding industry leadership, the utility created a comprehensive white paper outlining a Resource Adequacy Program to stimulate discussion and propose solutions to the issue of adequate capacity in Texas.

A commitment to meeting regulations and protecting the environment

Every year the regulatory environment becomes increasingly complex. In 2011 GP&L again proved that meeting regulations is part of the normal course of doing business.

Ensuring regulatory compliance while generating and distributing power requires a commitment to environmental protection, a deep knowledge of the standards, plus considerable attention to implementation, including highly detailed and organized record-keeping. The state and federal agencies overseeing GP&L's various activities include DOE, DOT, EPA, ERCOT, FERC, NERC, PHMSA, PUCT, RRCT, TCEQ, TRE and TWDB.*

A visible example of a project requiring meticulous attention to environmental detail was the demolition of the C.E. Newman Power Plant. With the demolition, 22 tons of asbestos had to be disposed of properly. The process required careful documentation as the asbestos was removed and transported to a hazardous material landfill. In addition to protecting the environment, GP&L avoided the multimillion dollar cost of asbestos disposal by allowing the demolition company to remove and recycle the scrap metal from the plant.

While seeking renewal of the Title V operating permit for the Olinger Plant, oversight shifted from the TCEQ to the EPA in 2010. During 2011, GP&L provided additional documentation to the EPA and participated in the revised review and approval process with both agencies. Olinger continued to be in full regulatory compliance for operation during this time.

* Department of Energy, Department of Transportation, Environmental Protection Agency, Electric Reliability Council of Texas, Federal Energy Regulatory Commission, North American Electric Reliability Corporation, Pipeline and Hazardous Material Safety Administration, Public Utility Commission of Texas, Railroad Commission of Texas, Texas Commission on Environmental Quality, Texas Reliability Entity, Texas Water Development Board

In 2011, the utility passed a mini-audit in which the Texas Reliability Entity (TRE) approved technical feasibility exceptions related to cyber security. In this review, GP&L successfully proved that the proposed exceptions exceeded the NERC standards and provided stronger security measures through alternative methods. During the year, physical and cyber security were augmented at System Operations and also at substations, including the installation of new communication and surveillance equipment.

It is essential that GP&L be engaged in organizations such as ERCOT and NERC to represent the utility's interests during the development of design, financial and operating guides, protocols and standards. GP&L employees serve on several of these organizations' committees, subcommittees, working groups and task forces.

At ERCOT, GP&L has representation on the following:

- ERCOT Board of Directors
- Technical Advisory Committee
- Commercial Operations Subcommittee
- Protocol Revision Subcommittee
- Reliability Operations Subcommittee
- Wholesale Market Subcommittee
- Black Start Working Group
- Critical Infrastructure Protection Working Group
- Dynamics Working Group
- Network Data Support Working Group
- Operations Working Group
- Performance Disturbance & Compliance Working Group
- QSE Managers Working Group
- Regional Planning Working Group
- Settlement Extract Working Group
- Steady State Working Group

- System Protection Working Group
- Training Seminar Working Group
- Voltage Profile Working Group
- Nodal Operating Guides Review and Revision Task Force

At NERC, GP&L has representation on the following:

- Critical Infrastructure Protection Committee – Executive Committee
- Critical Infrastructure Protection Committee
- Texas Reliability Entity Members Representative Committee
- Physical Security Subcommittee
- Cyber Attack Task Force
- High Impact Low Frequency Implementation Task Force
- Severe Impact Resilience Task Force
- Substation Protection Guidelines Task Force

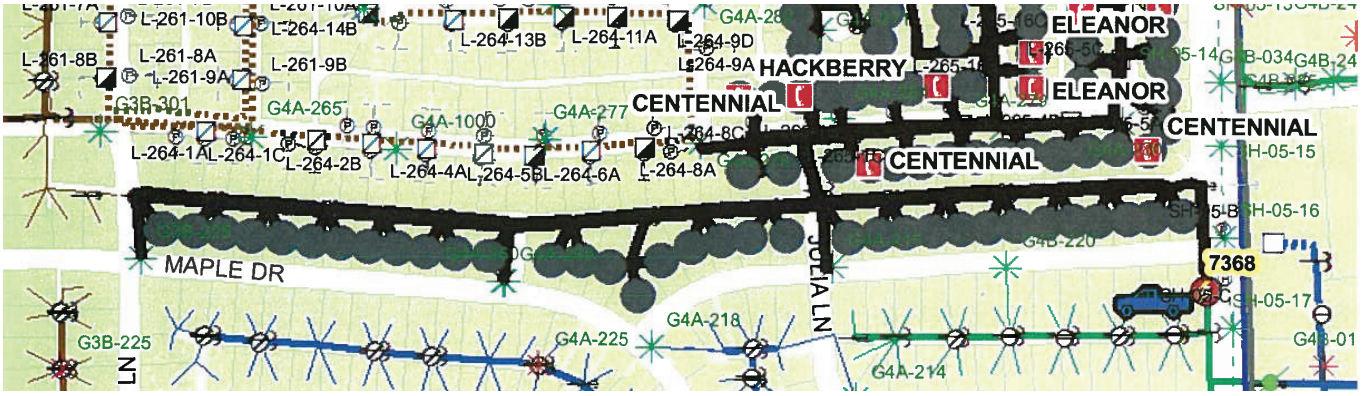
Innovation
was supported systemwide

The major developments that took place in 2011 were reinforced by outstanding support from people and processes throughout GP&L.

The newly installed outage management software, Responder, is designed to assist in rapid power restoration when an outage is reported. Responder interfaces with the utility's Geographic Information System (GIS) and customer account data, automating the process so that operators can dispatch trouble crews to locations swiftly and accurately. The new system also links with the customer Interactive Voice Response (IVR) phone system installed last year.

the Inter-Control Center Communication Protocol (ICCP) communication link was completed between GP&L and Denton Municipal Electric, supporting high-level, reliable communications between the utility systems.

As ERCOT shifted to the nodal market, GP&L upgraded its ERCOT Polled Settlement (EPS) meters from an outdated dial-up system to internet protocol. This allows for accurate metering at settlement points and faster data reporting. ERCOT considered GP&L's upgrade as the market model, and other systems have adopted the technology.



Responder outage map

A renovation at the McIntire Operations Center resulted in technological upgrades and additional office space. The control room was fully overhauled with a new wall board that electronically displays the status of GP&L's electric system, permitting operators to see a large, visual representation in addition to the view on their monitors. During the renovation, the system operations function was successfully relocated and conducted from the back-up control center, confirming GP&L is capable of uninterrupted operations.

The System Operations Division also completed a secondary communication fiber loop around Garland, ensuring redundancy for Energy Management System (EMS) data communications. Additionally,

The installation of Designer software transformed the process of construction planning for GP&L's distribution system. The new tool integrates project design and estimation, making the engineering process more efficient and accurate.

To more effectively analyze the viability of proposed projects, GP&L updated its Capital Projects Economic Analysis software. The enhanced graphics for summary tables and new functionality for evaluating transmission projects aid in decision making on capital investments.

Improvements in enterprise and asset reporting were also made during the year. A centralized reporting tool, which links with the Workforce Management

System (WFM) and GIS, led to better management of service requests. Enhancements to asset reporting created efficiencies in the tracking of distribution assets such as poles, wires and transformers.

Technology was also used to automate a variety of activities, including online registration for training, workload assignments and nodal procedures. An upgrade of Active Directory from the 2003 to 2008 version simplified users' experiences across applications by allowing employees to open different applications with a single login. The platform also permits users to obtain their own desktop when they sign in from any office computer.

GP&L's focus on safety continued to yield impressive results as safety awareness reduced accidents by a notable 31%. Similar diligence had a favorable result on general liability claims: Increased investigation of claims against the utility reduced claims paid by 66%.

GP&L values and supports employee training throughout the organization. Examples include the cross-training of 90% of the Settlement Administration group; nodal market training; additional GIS training; and the continued expansion of regulatory training services to outside entities.

A steadfast pledge
to reliability

Reliability is a priority for GP&L, a commitment that was marked in 2011 by designation as a Reliable Public Power Provider (RP3®) from the American Public Power Association (APPA) for the second straight year. Out of 2,000 eligible public power utilities, GP&L is one of 176 in the country that holds this distinction, confirming excellence in providing reliable and safe electric service.

GP&L's national recognition continued with certification as a Tree Line USA Utility by the Arbor Day Foundation, a program that promotes the dual goals of safe, reliable electric service and abundant, healthy trees across utility service areas. This accreditation assures the community that GP&L's tree trimming program follows industry standards.

In an ongoing effort to maintain the reliability of its distribution lines, GP&L made steady progress toward balancing each of the utility's 93 feeders, reaching the 70% mark (of all feeders) by the end of the year. A balanced system supports reliability by helping control energy losses on the lines, increasing efficiency and improving restoration time in case of an outage.

In 2011, 80,000 feet of underground cable (almost 15 miles) was replaced. The new cable was installed in conduit rather than directly buried in the ground, and has an exterior insulated jacket to extend its life.

Other upgrades to the transmission and distribution system:

- Construction of a new distribution line connecting the Miller 5 feeder to the Castle Drive 3 feeder to improve reliability in east Garland
- Demolition and initial steps to reconstruct the 138kV Shiloh Substation, plus increasing capacity with the addition of a terminal for the Fairdale-PlastiPak-Shiloh 138kV transmission loop
- Installation of substation capacitor banks at the Newman and McCree Substations to support consistent transmission system voltage
- Construction of a gabion wall for erosion control of the Keen Branch Creek adjacent to the College Substation
- Completion of transmission line improvements on the Lawler tap to the Jupiter portion of the Lawler-Apollo transmission line, including replacing timber transmission structures with steel and upgrading to 138kV standards
- Completion of a field survey using LiDAR–aerial light detection and ranging technology–to ensure that each transmission line's field installation meets original design specifications
- Acquisition of rights to the Greenville East line (connecting to the old Wylie Switchyard) which led to easement maintenance projects and construction of 14 timber H-frame transmission poles. This line provides new options to increase reliability in the future.

Reliability of the utility's electricity generation facilities is also important at GP&L. In 2011, the capacity to store water for operations at the Olinger Power Plant was substantially expanded through the cleaning of water tanks and the conversion of a fuel oil storage tank to water storage. In addition, GP&L installed an improved water treatment system that uses a reverse osmosis process, thereby reducing the amount of caustic chemicals used to make the ultra-pure water required by the steam cycle.

Also at the Olinger Plant, GP&L took every opportunity to keep the units available to generate power, which sometimes required innovative maintenance. A breaker failure on Unit 4 threatened major revenue losses during the wait for a replacement from the overseas manufacturer. Resourceful crews installed a temporary breaker and modified other equipment to keep the unit on line until the replacement arrived. In all, the unit was only down for seven days, including the period when the new breaker was installed. Crews made the best use of the down time, performing "opportunity maintenance" on a variety of non-critical yet important items for long-term reliability.

Reliable power supply for all of ERCOT has been threatened by the ongoing drought since many power plants use lakes for cooling water. If lake water levels get too low or if the water temperatures rise due to low volume, units won't be able to operate at maximum output or could be shut down entirely. The resulting power shortage could drive up electricity prices. To help anticipate energy prices in 2012, GP&L created a computer model that tracks lake levels across the state. This intelligence will be of value to GP&L, which both buys and sells power on the market.

Supporting
the community and local commerce

Garland Power & Light is an active participant in the local area, underscored by the utility's support of a wide range of activities that bolster the community, including civic engagement and programs for residential and commercial customers.

GP&L's EnergySaver Program emerged from its fourth season with continued success. Despite a challenging economic environment, customers took advantage of the program by installing energy efficiency upgrades in their homes to reduce energy consumption. Program participants received bill credits for installation of high efficiency air conditioning units, added insulation, window replacements and other weatherization measures.

In 2011, GP&L expanded its commitment to energy conservation with the introduction of a program which provides incentives to small commercial customers to retrofit their lighting. Because lighting can represent a large percentage of a small business' energy consumption, an upgrade to more energy efficient technology can cut power use by 30% or more.

The Dallas Area Rapid Transit (DART) Blue Line extension from downtown Garland to downtown Rowlett required GP&L's involvement over the past several years. This year marked the end of the utility's construction in support of the project, which included moving, replacing and raising distribution and transmission poles to accommodate rail infrastructure and completing a new feeder to help supply power to the trains. The utility also placed in underground conduit all distribution lines that would otherwise have crossed above the tracks.

GP&L's commitment to the health and safety of Garland residents was highlighted through support of the Healthy Living Expo, which promoted healthy lifestyles to more than 3,000 attendees. The Expo included recommendations on energy and water conservation, tips on living "green," health screenings and personal safety information.

Co-sponsored with the Parks & Recreation Department, the Tree Power Free Tree Program in its fourth year gave away 500 free oak trees that will provide oxygen for the air and shade to homes in years to come.

GP&L employees once again led all City departments in donations to the annual United Way Campaign. Dedicated utility staff also took on leadership roles in the effort, which raised funds to help meet the needs of the community.

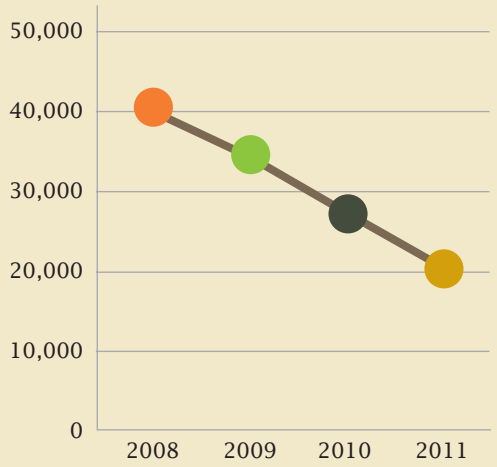
The utility has an enduring commitment to Garland's civic activities, including sponsorship of:

- The GP&L Teacher of the Month Program, recognizing outstanding Garland ISD educators
- The Garland Chamber Golf Tournament, benefitting the Garland Economic Development Partnership
- The New Beginnings Golf Tournament, supporting the prevention of domestic violence
- The Hispanic Heritage Banquet, recognizing Hispanic community leaders and raising funds for college scholarships
- The performing arts, including the Garland Civic Theatre and the Garland Summer Musicals

Performance indicators

Fiscal Year Ended September 30th

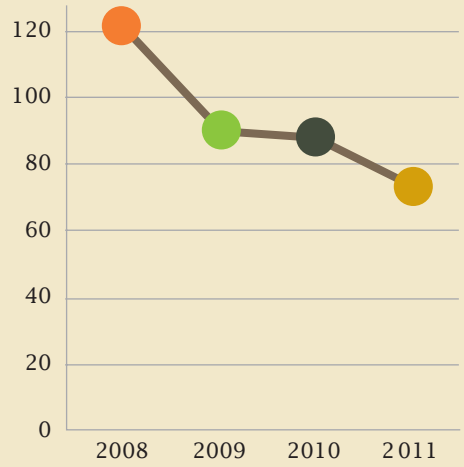
Service Requests



Description: Total number of annual requests for distribution and transmission services.

Interpretation: Service requests are the macro level indicator of the productivity in the Transmission & Distribution Division. Incidents such as major storms can impact the totals; however, over time the statistic can indicate the division's overall productivity.

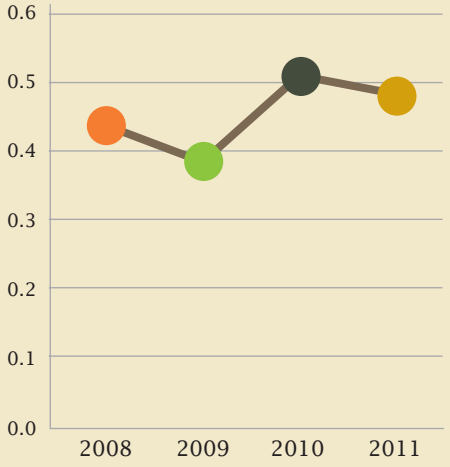
Operating Expenditures per Megawatt Hour



Description: Total GP&L expenses (including TMPA purchases) for utility operation divided by the total kilowatt hours of sales x 1,000.

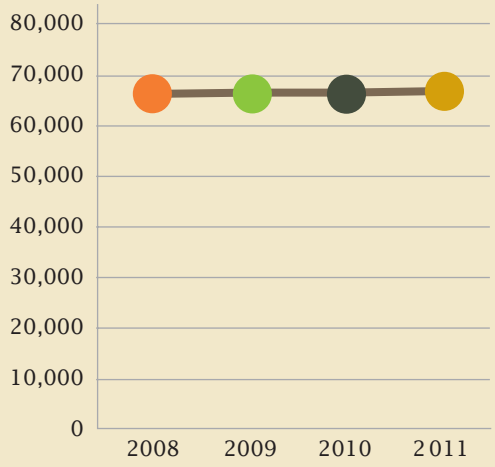
Interpretation: As this statistic is highly influenced by fuel cost, TMPA costs and debt service requirements, comparisons between utilities must be made carefully.

Debt-to-Asset Ratio



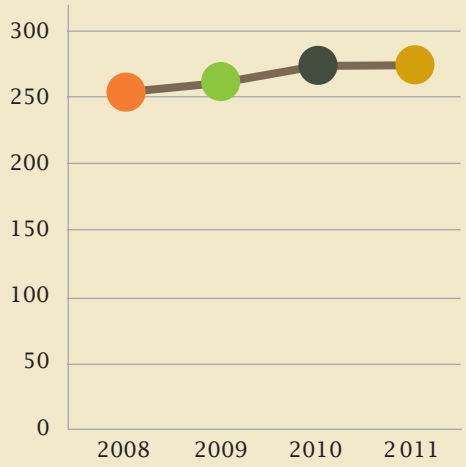
Description: The debt-to-asset ratio is a comparison of an organization's current and accrued liabilities and long-term debt to total assets. This ratio reflects to what degree an organization finances its assets with long-term debt.

Electric System Number of Retail Customers



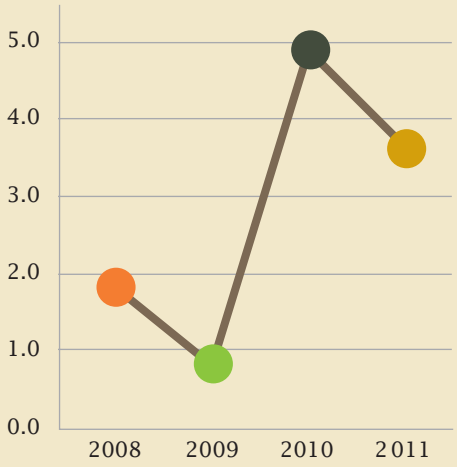
Description: Total annual customers.

Retail Customers per Employee



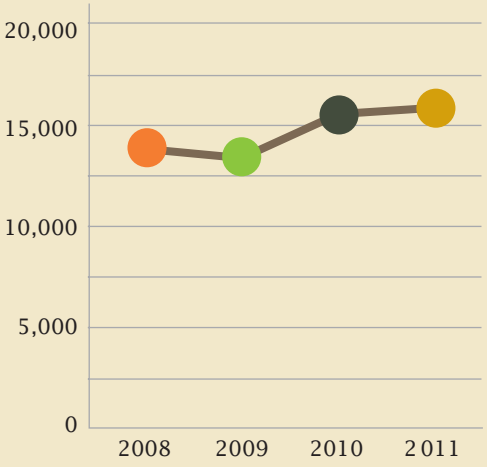
Description: Number of retail customers divided by the number of electric utility employees.

OSHA Incidence Rate



Description: This is the standard indicator utilized by the industry to report lost time accidents. It is produced by multiplying the number of lost time accidents by 200,000 then dividing that number by the total hours worked by the employees.

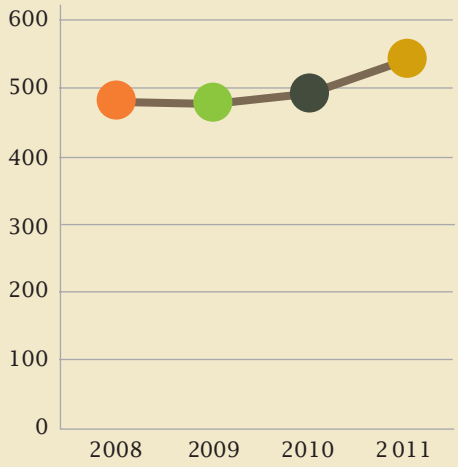
KWH Sales per Residential Customer



Description: Sales of electricity in kilowatt hours for the residential class customers divided by total number of residential customers.

Interpretation: Changes in sales can be due to seasonal temperatures and customers' electricity utilization preferences.

Electric System Peak (Megawatts)



Description: Peak demand as reported to the U.S. Department of Energy.

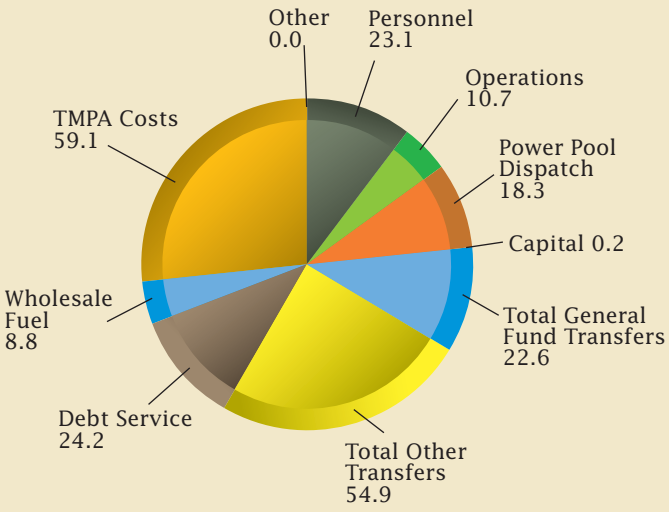
Balance sheet

Fiscal Year Ended September 30, 2011. With comparative totals for Fiscal Year Ended September 30, 2010.

	2011	2010
ASSETS		
Current Assets:		
Cash and investments	$ 41,884,976	44,445,575
Inventories	2,847,095	2,611,588
Receivables and other	36,679,114	34,056,498
Total Current Assets	81,411,185	81,113,661
Restricted Assets:		
Cash and investments	178,293,676	139,687,064
Accrued interest receivable	96,168	189,426
Total Restricted Assets	178,389,844	139,876,490
Property, Plant, and Equipment -		
Net of accumulated depreciation	272,320,046	264,824,914
Other Assets	127,883,886	134,796,529
Total Assets	$ 660,004,961	620,611,594

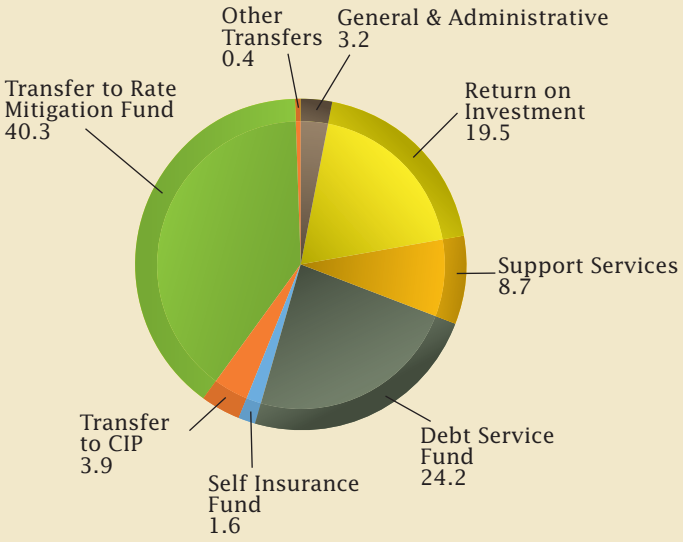
Fiscal Year 2011 Total Expenditures

in millions of dollars



Fiscal Year 2011 Transfers to Other Funds

in millions of dollars



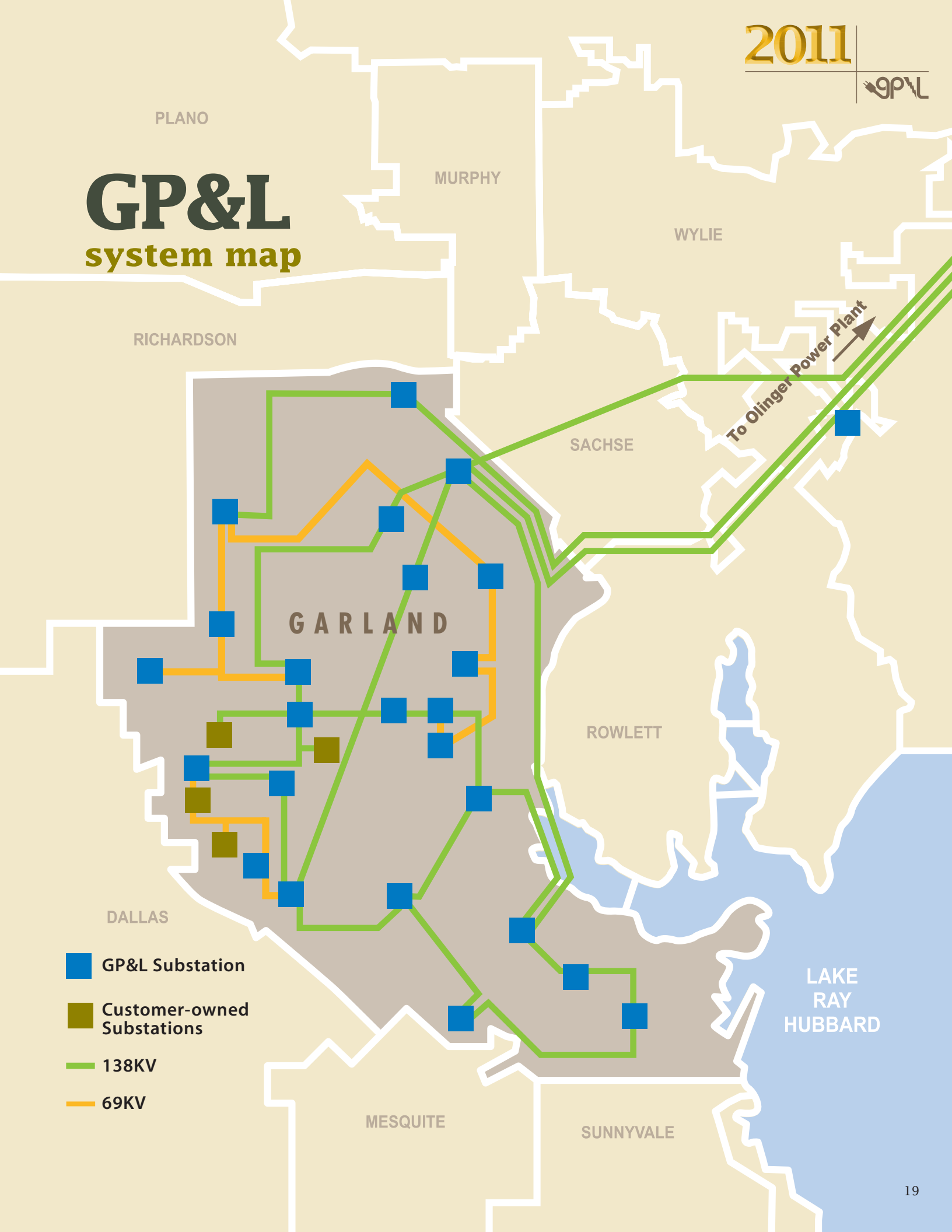
	2011	2010
LIABILITIES		
Current Liabilities:		
From current assets payables	$ 22,026,966	16,134,660
From restricted assets payables	1,668,509	6,733,955
Total Current Liabilities	23,695,475	22,868,615
Long-term Liabilities:		
Bonds payable and other	287,469,177	291,444,865
Total Long-term Liabilities	287,469,177	291,444,865
Total Liabilities	311,164,652	314,313,480
EQUITY		
Retained Earnings:		
Invested in capital assets, net of debt	119,355,353	111,048,079
Restricted	156,435,062	115,571,767
Unrestricted	73,049,894	79,678,268
Total Retained Earnings	348,840,309	306,298,114
Total Liabilities, Contributed Capital and Retained Earnings	$ 660,004,961	620,611,594

Statement
of revenues, expenses and changes in retained earnings

Fiscal Year Ended September 30, 2011. With comparative totals for Fiscal Year Ended September 30, 2010.

	2011	2010
Operating revenues:		
Charges for service	$ 222,638,789	231,758,075
Other	866,189	710,540
Total Operating Revenues	223,504,978	232,468,615
Operating expenses before depreciation:		
Fuel purchases/Demand charges	86,167,423	121,224,176
Operating expenses	34,856,581	34,688,518
General and administrative	10,726,365	10,553,503
Total Operating Expenses Before Depreciation	131,750,369	166,466,197
Operating income before depreciation	91,754,609	66,002,418
Depreciation and Amortization expense	18,576,466	17,118,703
Operating Income	73,178,143	48,883,715
Non-operating revenues (expenses):		
Return on investment	(19,451,298)	(19,451,298)
Earnings on investments	854,835	1,064,322
Interest expense	(11,714,879)	(8,651,803)
Other	538,293	(934,331)
Net transfers	(862,899)	(1,035,232)
Net Non-operating Revenue (Expense)	(30,635,948)	(29,008,342)
Net Income	42,542,195	19,875,373
Retained Earnings at Beginning of Year	306,298,114	286,422,741
Retained Earnings at End of Year	$ 348,840,309	306,298,114

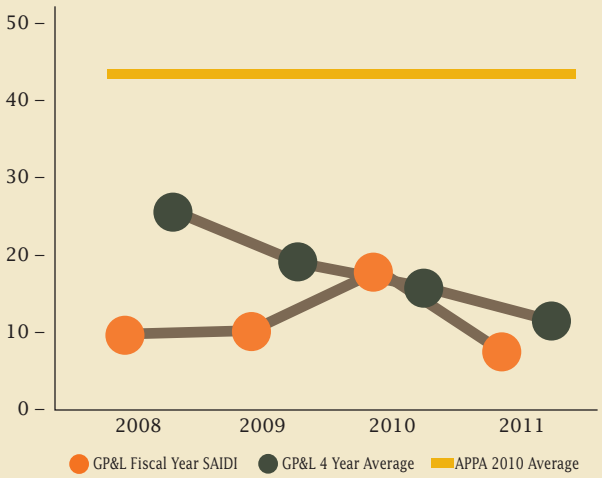
GP&L
system map



Key statistics

System Average Interruption Duration Index (SAIDI)

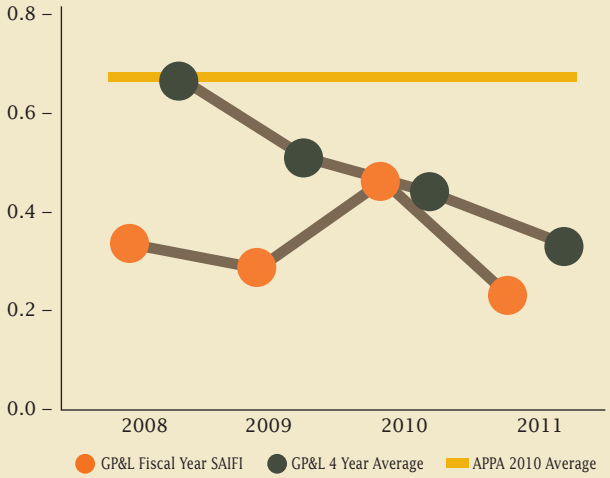
Fiscal Year Ended September 30th



System Average Interruption Duration Index (SAIDI) - Designed to give information about the average time that the customers are interrupted. This index is commonly referred to as Customer Minutes of Interruption or Customer Hours. It is a measure of the response time or restoration time when outages occur and is computed by dividing the sum of all customer interruption durations by the total number of customers served.

System Average Interruption Frequency Index (SAIFI)

Fiscal Year Ended September 30th



System Average Interruption Frequency Index (SAIFI) - This is defined as the average number of times that a customer is interrupted during a specified time period. It is determined by dividing the total number of customers interrupted in a time period by the average number of customers served. The resulting unit is "interruptions per customer."

2011 T&D Statistics

Transmission lines	2.9 miles of 69kV reconstructed to 138kV
Distribution lines	2.9 miles of overhead added or replaced
	20.1 miles of underground added or replaced
Distribution poles added or replaced	297
Overhead operations & repairs	201
Overhead construction projects	349
Underground operations & repairs	450
Underground construction projects	396
Street lights	1,840 operations & repairs
	208 construction projects
Residential meter sets & changeouts	243
Commercial meter sets & changeouts	227
Meter operations, repairs & testing	1,085
Line locate requests	11,753
Trouble calls	2,921
Tree trimming requests	314

GARLAND CITY COUNCIL

Standing (left to right)

Laura Perkins Cox – District 2
Douglas Athas – District 1
John Willis – District 5
Rick Williams – District 7
Jim Cahill – District 8
Lori Barnett Dodson – District 6

Seated (left to right)

Preston Edwards – District 3, Mayor Pro Tem
Ronald Jones – Mayor
Larry Jeffus – District 4

CITY MANAGER

William E. Dollar

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